

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06  
SP-02 LAB-04 SIL-01 OMB-01 CU-04 PA-02 PRS-01  
NSC-05 SS-15 STR-04 CEA-01 /099 W  
-----151936Z 094483 /50

R 151745Z APR 77  
FM AMCONSUL MONTREAL  
TO SECSTATE WASHDC 8843  
INFO AMEMBASSY OTTAWA  
AMCONSUL QUEBEC  
AMCONSUL TORONTO

UNCLAS SECTION 1 OF 2 MONTREAL 611

E. O. 11652: N/A  
TAGS: EFIN, CA  
SUBJ: MONTREAL CITY BUDGET

REF: QUEBEC 0153

1. SUMMARY: MONTREAL'S CITY BUDGET TABLED APRIL 13 MEANS HIGHER TAXES AND ALMOST NO NEW SERVICES FOR MONTREALERS. EXPENDITURES FOR MUNICIPAL PURPOSES TOTAL DOLS 685 MILLION, AN INCREASE OF 13 O/O OVER LAST YEAR. MOST OF INCREASE WILL GO TO MEET HIGHER EXPENSES FOR LABOR AND GOODS. PROPERTY TAXES IN MONTREAL HAVE RISEN BY AVERAGE OF 13 PERCENT, AS RESULT OF INCREASED VALUATIONS, AND SPECIAL ASSESSMENT TO MEET OLYMPIC DEBT. MONTREAL AND OTHER MUNICIPALITIES CAN BE EXPECTED TO PUT INCREASING PRESSURE ON QUEBEC GOVERNMENT FOR NEW TAX SHARING FORMULA, BUT PROVINCIAL GOVERNMENT WILL BE HARD PRESSED TO DELIVER. END SUMMARY

2. STILL GRUMBLING ABOUT THE PROVINCE'S RESTRICTIVE BUDGET, MONTREAL RESIDENTS GOT A SECOND BITTER PILL TO SWALLOW, AS MONTREAL'S CITY BUDGET TABLED APRIL 13 CONTAINED LITTLE IN WAY OF NEW SERVICES, BUT MORE IN WAY OF NEW TAXES. ALTHOUGH TAX  
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RATES WERE KEPT AT SAME LEVEL, INCREASED VALUATIONS AND THE SPECIAL OLYMPIC TAX RESULTED IN AN INCREASE IN TAXES OF ABOUT 13 O/O FOR THE AVERAGE HOME OWNER IN MONTREAL.

3. EXPENDITURES IN MONTREAL'S BUDGET FOR FISCAL YEAR 1977-78 TOTAL DOLS 841 MILLION. SETTING ASIDE TOTAL OF DOLS 156 MILLION FOR TRANSFER TO SCHOOL SYSTEM (SAME AMOUNT AS LAST YEAR) LEAVES

TOTAL OF DOLS 684 MILLION FOR MUNICIPAL PURPOSES, AN INCREASE OF DOLS 80 MILLION, OR 13.3 O/O OVER LAST YEAR. WITH ALMOST NOTHING PROVIDED IN WAY OF NEW SERVICES, MOST OF INCREASE GOES TO MEET INCREASED COSTS OF SALARIES, RENTALS, MATERIALS. LARGEST SINGLE EXPENDITURE ITEM IS DEBT SERVICE, TOTALING DOLS 146 MILLION, AN INCREASE OF 22 O/O OVER LAST YEAR. CITY'S TOTAL NET DEBT NOW STANDS AT DLS 1.2 BILLION, EQUAL TO DOLS 1,093 ON PER CAPITA BASIS, AN INCREASE OF 27 O/O ON PER CAPITA BASIS OVER LAST YEAR. NEW TOTAL REFLECTS ADDITION OF ESTIMATED DOLS 425 MILLION NECESSARY TO PAY OFF CAPITAL AND INTEREST CHARGES ON DOLS 215 MILLION OLYMPIC DEBT.

4. HARDEST ITEM IN NEW BUDGET FOR MANY TO ACCEPT WAS INCREASED TAXATION RESULTING FROM SPECIAL OLYMPIC ASSESSMENT. REFERRING TO MAYOR DRAPEAU STATEMENT IN 1975 THAT "MONTREAL OLYMPICS CAN NO MORE HAVE A DEFICIT THAN A MAN CAN HAVE A BABY" SPOKESMEN FOR THE OPPOSITION MONTREAL CITIZEN'S MOVEMENT DECLARED AFTER SEEING THE BUDGET THAT "MAYOR DRAPEAU HAS FINALLY DELIVERED, THE BABY IS BORN". TO MEET MONTREAL'S DOLS 215 MILLION SHARE OF OLYMPIC DEBT, SPECIAL OLYMPIC TAX HAS BEEN LEVIED ON PROPERTY OWNERS IN MONTREAL, WITH COMMERCIAL PROPERTY AND VACANT LOTS BEARING HEAVIEST LOAD. SPECIAL ASSESSMENT FOR EACH PER HUNDRED DOLLARS VALUATION AMOUNTS TO 7 CENTS FOR HOMES, 16 CENTS FOR COMMERCIAL-RESIDENTIAL PROPERTY, 42 CENTS FOR COMMERCIAL BUILDINGS, AND 72 CENTS FOR VACANT LOTS. FOR OWNER OF DOLS 40,000 HOME, SPECIAL OLYMPIC TAX WILL MEAN ADDITIONAL DOLS 31 IN TAXES FOR COMING YEAR. INCREASED TAXES ON SAME HOME DUE TO HIGHER VALUATIONS WILL ADD ANOTHER DOLS 158 TO TAX BILL, BRINGING TOTAL INCREASE FOR YEAR TO DOLS 189. WITH SPECIAL OLYMPIC TAX

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SCHEDULED TO CONTINUE FOR 20 YEARS, OLYMPIC BURDEN WILL BE WITH MONTREAL FOR LONG TIME.

5. IN RESPONDING TO CRITICISM ON OLYMPIC TAX, CITY OFFICIALS HAVE POINTED OUT THAT THEY HAD NO CHOICE, AS PROVINCIAL GOVERNMENT FORCED CITY TO ASSUME DOLS 215 MILLION OLYMPIC DEBT. STATEMENT IS TECHNICALLY CORRECT, BUT CITY ITSELF HAD FORCED PROVINCE TO ACT BY CARRYING OLYMPIC DEBT IN CURRENT ACCOUNTS, PRESUMABLY REFLECTING MAYOR DRAPEAU'S FORMER CONVICTION THAT OLYMPICS WOULD BE SELF-FINANCING. MONTREAL'S POSITION HAD CAUSED CONCERN IN NEW YORK FINANCIAL COMMUNITY, PARTICULARLY AMONG RATING AGENCIES, WHO GAVE PROVINCIAL GOVERNMENT HIGH MARKS FOR FORCING MONTREAL TO FUND OLYMPIC DEBT.

6. WITH BOTH THE PROVINCIAL AND MONTREAL BUDGETS RESPONDING TO FINANCIAL NECESSITIES, THE PSYCHOLOGICAL IMPACT CUTS TWO WAYS. BANKERS PRESUMABLY ARE HAPPY, BUT MERCHANTS, BUSINESSMEN, AND THE REST OF THE PUBLIC ARE NOT SO HAPPY. COST OF DOING BUSINESS IN MONTREAL IS ALREADY HIGH BY CANADIAN STANDARDS,

AND SOME MAY SEE HIGHER TAXES AS A FURTHER DISINCENTIVE, COMING ON TOP OF PQ LANGUAGE POLICY AND OTHER POLITIC PROBLEMS, TO INVESTMENT IN MONTREAL. IN THIS CONNECTION, IT IS SIGNIFICANT THAT ONLY 2 O/O OF THE 13 O/O INCREASE IN PROPERTY VALUATION IN MONTREAL COMES FROM NEW CONSTRUCTION.

7. STRAINS BETWEEN MONTREAL, AS WELL AS OTHER MUNICIPALITIES, AND GOVERNMENT IN QUEBEC WILL PROBABLY INTENSIFY OVER COMING YEAR, UNLESS QUEBEC FINDS A WAY TO DEVELOP NEW TAX SHARING FORMULA. FORTY-FOUR PERCENT OF MONTREAL'S REVENUES IN NEW BUDGET COME FROM SINGLE SOURCE OF REAL ESTATE TAXES. MUNICIPALITIES HAVE ALREADY BEGUN TO CRITICIZE MINISTER OF MUNICIPAL AFFAIRS GUY TARDIF AS WEAK MAN IN PQ CABINET, DECLARING THAT HE LACKS SUFFICIENT CLOUT IN GOVERNMENT TO GET HIS CLAIMS IN BEFORE OTHER MINISTERS. MONTREAL IN PARTICULAR HAS LONG FOUGHT FOR REVISION OF MUNICIPAL-PROVINCIAL REVENUE BASE, AND HAS COMPLAINED THAT ANY NEW SOURCE OF FUNDS WHICH IT HAS

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BEEN ABLE TO DEVELOP HAS BEEN QUICKLY PRE-EMPTED BY QUEBEC. WITH NEW PQ ADMINISTRATION HARD PRESSED TO DELIVER ON ITS OWN PROMISED ECONOMIC AND SOCIAL PROGRAMS, RELIEF FOR QUEBEC'S MUNICIPALITIES MAY BE A LONG TIME IN COMING.

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SS-15 STR-04 CEA-01 CU-04 /099 W  
-----151936Z 094661 /50

R 151745Z APR 77  
FM AMCONSUL MONTREAL  
TO SECSTATE WASHDC 8844  
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AMCONSUL TORONTO

UNCLAS SECTION 2 OF 2 MONTREAL 611

8. DEBATE ON MONTREAL BUDGET WILL BEGIN APRIL 20 AND WILL CONTINUE UNTIL APRIL 29. NEW FISCAL YEAR BEGINS MAY 1. IF BUDGET IS NOT APPROVED BY MONTREAL'S CITY COUNCIL BEFORE LEGAL DEADLINE FOR PASSAGE, IT BECOMES LAW AUTOMATICALLY, A SITUATION WHICH OCCURRED LAST YEAR WHEN A FILIBUSTER BY THE OPPOSITION MONTREAL CITIZEN'S MOVEMENT PREVENTED CITY COUNCIL FROM VOTING ON BUDGET.

9. TABLE

MONTREAL CITY BUDGET  
(MILLIONS OF CANADIAN DOLLARS)  
FY 1976-77 FY 1977-78

REVENUES		
REAL ESTATE TAX	243.7	298.8
WATER TAX	87.2	96.3
CONSUMER TAXES	95.0	98.0
BUSINESS TAXES		
LICENSES, PERMITS	58.9	66.3
MUNICIPAL SUBSIDIES	25.6	24.1
OTHER (FINES, INTEREST, ETC.)	66.8	76.3
SPECIAL USE REVENUES (1)	26.7	23.7
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GENERAL FUND SURPLUS	.3	.9
TOTAL REVENUES FOR		
MUNICIPAL PURPOSES	604.3	684.5

(1) MAINLY SUBSIDIES FROM PROVINCE FOR SOCIAL AFFAIRS AND PUBLIC HEALTH.

10.

FY 1976-77 FY 1977-78

EXPENDITURES		
ADMINISTRATIVE DEPARTMENTS	55.5	60.4
SERVICE DEPARTMENTS	233.4	273.0
DEBT SERVICES	119.8	145.8
OTHER EXPENDITURES	83.2	84.2
MUNICIPAL TRANSFER -		
CONTRIBUTIONS (MONTREAL		
URBAN COMMUNITY)	112.5	121.0
TOTAL EXPENDITURES		
FOR MUNICIPAL PURPOSES	604.3	684.5

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## Message Attributes

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